

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL "RIDE-ALONG"
CLASSIFICATION CHANGE FOR PERIODICALS, 1999

Docket No. MC2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SCHWARTZ TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-6)
12-1-b

The United States Postal Service hereby provides the responses of witness Schwartz to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-6, filed on October 18, 1999.

Each interrogatory is stated verbatim and is followed by the response. A signed declaration will be filed shortly.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 1, 1999

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHWARTZ
TO INTERROGATORISE OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-1. Please refer to the testimony at page 1, lines 1-2.

- a. Please identify all other "proponents of the 'Ride-Along' classification change" of whom you are aware.
- b. Please identify any opponents of "the 'Ride-Along' classification change" of whom you are aware.
- c. Please identify all bases of opposition to "the 'Ride-Along' classification change" of which you are aware.

RESPONSE:

- (a) The members of the Postal Committee of the Magazine Publishers of America, Inc. ("MPA") have endorsed the proposal as have all members of the American Business Press ("ABP").
- (b) I personally am not aware of any opponents of "the 'Ride-Along' classification change.
- (c) I am aware only of concerns with regard to the potential diversion of Standard Mail (A) to Periodicals.

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OCA/USPS-T2-2. Please refer to the testimony at page 1, lines 1-2, and at page 4, lines 9-14.

- a. Of the proponents of "the 'Ride-Along' classification change" of whom you are aware, how many were included in the "informal survey of [MPA's] Postal Committee members"?
- b. Of the proponents of "the 'Ride-Along' classification change" of whom you are aware, how many responded to the "informal survey of [MPA's] Postal Committee members"?
- c. Of the proponents of "the 'Ride-Along' classification change" of whom you are aware, how many are not members of MPA's Postal Committee?

RESPONSE:

- (a) All members of the MPA's Postal Committee were included in the "informal survey."
- (b) Fifteen companies represented on MPA's Postal Committee responded to the "informal survey."
- (c) Some members of the ABP who are *not* members of MPA are proponents of the "'Ride-Along classification change." I do not know the exact number.

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OCA/USPS-T2-3. Please refer to the testimony at page 4, lines 9-14.

- a. How many members are there on MPA's Postal Committee?
- b. Please provide the total FY98 Periodicals mail volume of the Postal Committee members.
- c. Please explain how the "informal survey" of Postal Committee members was conducted, and identify and describe the information collected by the informal survey.
- d. How many of the Postal Committee members participated in the informal survey?
- e. Please provide the total FY98 Periodicals mail volume of the Postal Committee members who took part in the informal survey.

RESPONSE:

- (a) Forty-eight individuals representing thirty-six different periodicals publishers serve on the MPA's Postal Committee.
- (b) I have no way of knowing this information, which is confidential, proprietary business information that would not be shared by competing corporations.
- (c) I personally did not conduct the "informal survey," which was conducted instead by MPA. I was a recipient of the survey, which was sent to me by facsimile and e-mail. I believe all other members of MPA's Postal Committee also received surveys by facsimile and e-mail. The survey asked for our current annual volume of ride-along pices, an estimate of volume if the price for ride-along pieces were 10 cents, and whether we were part of the centralized postage payment system.
- (d) Fifteen companies represented on MPA's Postal Committee responded to the "informal survey."
- (e) I have no way of knowing this information, which is confidential, proprietary business information that would not be shared by competing corporations.

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OCA/USPS-T2-4. Please refer to the testimony at page 4, lines 9-14. Please state the time period (e.g., calendar year 1998, fiscal year 1999, etc.) for the figures 91,336,000 and 14,189,000.

RESPONSE:

The information provided from Conde Nast was based on calendar 1998 volume. Other members may have provided information based on other time periods. The survey simply asked for our current annual volume of ride-along pieces.

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OCA/USPS-T2-5. Please refer to the testimony at page 4, lines 9-14.

- a. How many members of the Magazine Publishers of America (MPA) report their postage payments through the Centralized Postage Payment (CPP) System?
- b. How many members of the Postal Committee report their postage payments through the Centralized Postage Payment (CPP) System?
- c. How many members of the Postal Committee that report their postage payments through the Centralized Postage Payment (CPP) System participated in the informal survey?
- d. Please explain the discrepancy between the "present volume for Standard A pieces mailed in combination with periodicals of 14,189,000," and the 12,631,993 Standard (A) pieces with Periodicals reported by the Postal Service from the CPP. See USPS-T-1, Exhibit 1.

RESPONSE:

- (a) I do not know how many members of the MPA report their postage payments through the Centralized Postage Payment System.
- (b) I do not know how many members of MPA's Postal Committee report their postage payments through the Centralized Postage Payment System, but I believe it is the majority of such members.
- (c) In aggregate, ten of the fifteen companies responding to the survey participate in CPP.
- (d) I believe that any discrepancies between the "present volume for Standard A pieces mailed in combination with periodicals of 14,189,000" and the number of such pieces reported by the Postal Service from the CPP would result from (1) differing methods of calculation, and/or (2) the fact that some periodicals which mail Standard A pieces in combination with periodicals may not report their postage payments through the Centralized Postage Payment System.

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OCA/USPS-T2-6. Please refer to the testimony at page 3, lines 7-12, and page 4 (as revised on 10/06/99), lines 1-8.

- a. Please show the derivation of the 13 million pieces.
- b. Please identify the origin of the 13 million pieces in terms of current and expected new (or future) advertising pieces.
- c. Please confirm that you are assuming an elasticity of demand of -6.045685 $((13.356-3.339)/3.339)/((0.10-0.1985)/0.1985))$. If you do not confirm, please explain.
- d. Is your testimony concerning the "projection of approximately 91,336,000" Ride-Along pieces based upon an elasticity of demand of -6.045685? Please explain.

RESPONSE:

(a) Please note the part of the testimony you cite at page 4 has been revised. The estimate of 13 million pieces in my testimony is based on my experience with advertisers and my beliefs regarding their probable enthusiasm for the proposed "Ride-Along" classification change, as well as my long experience in the industry. The specific estimate of 13 million pieces was based on informed speculation on my part, and was calculated mathematically as follows: Conde Nast mailed approximately 3.339 Standard A advertising units with its 1998 periodicals issues. (Testimony at page 3, lines 17-18). As stated in my testimony, "[t]hough no one can tell for sure what advertisers may or may not do in the future, my experience indicates that the proposed experimental rates could produce approximately four times the actual volume of Standard A pieces Conde Nast generated in 1998." (Testimony at page 3, lines 18-21). My experience and information led me to conclude that the proposed change would "automatically double volumes from *current* advertisers to approximately 6.68 million units." (Testimony at page 4, lines 2-3; emphasis added). I further believe that Conde Nast "would almost double this volume again when *other* advertisers, especially those

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launching new products in the toiletry, cosmetic and skin care industries, are made aware of the lower postage costs for premium advertisements in periodicals."

(Testimony at page 4, lines 3-6; emphasis added). This doubling and re-doubling "would amount to over 13 million pieces." (Testimony at page 4, line 3).

(b) Please see my answer to OCA/USPS-T2-6(a).

(c) I cannot confirm this because I do not understand the question. Please see my answer to OCA/USPS-T2-6(a).

(d) I cannot answer this because I do not understand the question. Please see my answer to OCA/USPS-T2-6(a).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Scott Reiter", written over a horizontal line.

Scott L. Reiter

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